

Message Text

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ACTION NEA-12

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L-03 CIAE-00 INR-10 NSAE-00 RSC-01 CIEP-02 NSC-10

PM-07 SS-15 STR-08 OPIC-12 OMB-01 (ADP) W

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC PRIORITY 3496

C O N F I D E N T I A L BEIRUT 9047

E.O. 11652: GDS

TAGS: ENRG, ETRN, LE, IZ, UK, FR, NL, SA

SUBJ: GOL REQUISITIONS TAPLINE CRUDE TO SUPPLY MEDRECO REFINERY

REF: BEIRUT 9010

SUMMARY: GOL TOOK LAST-MINUTE ACTION TO REQUISITION 550,000 BARRELS MONTHLY OF TAPLINE CRUDE FOR THREE MONTHS TO SUPPLY MEDRECO REFINERY. SENCON DECREE APPARENTLY WAS ISSUED TO AUTHORIZE TAKEOVER OF REFINERY, BUT IT NOW SEEMS THAT AGREEMENT WILL BE REACHED TO LEAVE REFINERY IN US COMPANIES' HANDS. GOL SEEMS RELUCTANT TO GO DOWN NATIONALIZATION PATH FURTHER THAN NECESSARY, BUT TEMPER ARE HIGH. PRESS COVERAGE REASONABLE SO FAR. HOWEVER WE WONDER IF MEDRECO ACTED IN ITS OWN BEST TACTICAL INTERESTS IN TURNING DOWN FOREIGN MINISTER'S ASSURANCE-BACKED APPEAL FOR FURTHER 60-DAY EXTENSION.

1. AS EXPECTED GOL TOOK ELEVENTH-HOUR ACTION TO ASSURE SUPPLY OF CRUDE TO MEDRECO REFINERY BY ISSUING A DECREE REQUISITIONING 550,000 BARRELS MONTHLY FROM TAPLINE FOR NEXT THREE MONTHS, APPARENTLY RENEWABLE IF NECESSARY. DESPITE SOME PRESS REPORTS, HOWEVER, WHICH SPEAK OF GOL TAKE-OVER OF REFINERY AS WELL AND WHICH USE EXPRESSION "CONFISCATION" NO TAKEOVER OF REFINERY HAS OCCURRED SO FAR, AND EXPRESSION USED IN DECREE IS "REQUISITION" NOT "CONFISCATION".

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2. SHORTLY BEFORE MIDNIGHT JULY 31 MEDRECO WAS ASKED IF IT WAS PREPARED TO REFINE REQUISITIONED CRUDE "AT COST". REPLY WAS AFFIRMATIVE IF "AT COST" INCLUDED NORMAL CHARGE PER BARREL FOR SERVICES RENDERED. GOL REPRESENTATIVES AGREED TO THIS INTERPRETATION, BUT DETAILS STILL BEING WORKED OUT. APPARENTLY GOL AWARENESS THAT IT IS NOT IN ITSELF INTEREST TO ENGAGE IN FURTHER NATIONALIZATION IF THIS NOT REQUIRED (REFTEL) HAS BEEN MODERATION FACTOR. FURTHER MODERATING FACTOR HAS BEEN STATEMENT BY MEDRECO EMPLOYEES OPPOSING GOL TAKEOVER. TEMPER ON LEBANESE SIDE HOWEVER ARE HIGH AND MINISTER OF NATIONAL ECONOMIC REMARKED TO PRESS THAT THE NEGOTIATIONS FALTERED "BECAUSE OF THE COMPANY'S ADAMANCE AND DEMAND FOR A CRUDE OIL PRICE HIGH ABOVE LEVEL WHICH LEBANON COULD ACCEPT". MOREOVER, WE UNDERSTAND A SECOND DECREE HAS ALREADY BEEN APPROVED TO TAKEOVER REFINERY IF THIS PROVES NECESSARY.

3. TAPLINE INFORMS US THAT THEY RECEIVED AUTHORITY TO SELL CRUDE TO GOL SHORTLY AFTER REQUISITION DECREE WAS ISSUED AND THAT ISSUANCE OF DECREE WAS THEREFORE NOT NECESSARY. HOWEVER, AS AUTHORITY TO SELL CRUDE WAS ON BASIS OF POSTED PRICES (NOW ABOUT \$4.03), TAPLINE OFFER SEEMS TO HAVE HAD MORE WINDOW-DRESSING EFFECT THAN PRACTICAL VALUE. CONCERNING PAYMENT OF REQUISITIONED CRUDE WE ANTICIPATE LENGTHY DISCUSSION BUT TAPLINE DOES PAY GOL ABOUT \$8 MILLION ANNUALLY IN TRANSIT FEES AND COULD THEORETICALLY DEDUCT PAYMENT FOR THREE MONTHS SUPPLY FROM THESE FEES.

COMMENT: PRESS COVERAGE HAS BEEN FAIRLY REASONABLE SO FAR, WITH FREQUENT MENTION OF FACT THAT 90-DAY DEADLINE TWICE EXTENDED. FROM US INTEREST POINT OF VIEW THEREFORE REACTION TO MEDRECO DECISION SEEMS CONTAINABLE. ON THE OTHER HAND, WHETHER THIS DECISION WAS IN MEDRECO'S INTEREST IS ANOTHER MATTER. WE REALIZE THAT THE COMPANY OWNERS HAVE WORLDWIDE CONSIDERATIONS OF GREATER IMPORTANCE. FROM A LOCAL POINT OF VIEW, HOWEVER, THE NEGOTIATIONS WILL BE MUCH TOUGHER, AND THERE WILL NOT EXIST THE DIRECT CHANNEL OF APPEAL TO THE FOREIGN MINISTER (AND BY IMPLICATION THE PRESIDENT) THAT A 60-DAY EXTENSION (REFTEL) WOULD

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HAVE BROUGHT.
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